

**Future Long-Term Care Needs in
Maryland's 7th Congressional District**

Prepared for Rep. Elijah Cummings

**Minority Staff Report
Committee on Government Reform
U.S. House of Representatives**

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EXECUTIVE SUMMARY

As the United States population ages, providing long-term care for the elderly will become an increasingly important issue. By the year 2025, the population over the age of 65 will almost double, increasing by 28 million people, and almost one in five Americans will be 65 or older. The increase in diseases that affect the elderly, including Alzheimers, heart disease, osteoporosis, and other mental and physical problems, will force millions of older Americans to enter nursing homes or seek home health care assistance in order to perform basic daily activities. Many of these nursing home stays will be for extended periods.

These growing demands for long-term care will present seniors with a severe financial burden. Unlike other health care services for older Americans, Medicare does not cover most long-term care costs. Moreover, most Americans have not prepared to pay for the potentially catastrophic expenses of long-term care. One leading expert summarized the problem as follows:

Long-term care is one of the...leading causes of catastrophic out-of-pocket health care costs for the elderly....The disabled elderly and nonelderly find, often to their surprise, that neither Medicare nor private insurance covers the cost of nursing home and home care. Instead, the disabled must rely on their own resources, or, when these have been exhausted, turn to welfare in the form of Medicaid.¹

To obtain information about the long-term care needs of Baltimore residents, Rep. Elijah Cummings requested an investigation by the minority staff of the House Committee on Government Reform. This congressional staff report presents the results of this investigation. It is the first attempt to estimate future long-term care needs of Baltimore-area residents.

The report estimates that, based on the demographics of Baltimore City and County and estimates of life-span and projected nursing home use, 420,000 current residents – nearly one-third of the population – of the Baltimore area are likely to spend time in a nursing home. While many of these individuals will stay in a nursing home for only a short period of time, the analysis finds that over 200,000 individuals are likely to spend over one year in a nursing home, and approximately 70,000 are likely to spend over five years in a nursing home (Table 1).

This report also estimates the future cost of long-term care. Industry analysts have estimated that the cost of a nursing home stay will continue to increase faster than the inflation rate. In 1996, the most recent year for which data is available, the median cost for one year in a Maryland nursing home was approximately \$37,000. By the year 2020, when many of today's 50- and 60-year old individuals will require long-term care, a one-year stay in a nursing home

¹ Joshua Wiener, et al., *Sharing The Burden: Strategies for Public and Private Long-Term Care Insurance* (1994).

Table 1: 420,000 current Baltimore residents will spend some time in a nursing home after age 65.

Time Spent in Nursing Home	Population	Percentage of Current Population
Any Time	420,000	31%
> 1 Year	200,000	16%
> 5 Years	70,000	5%

could cost approximately \$108,000. By the year 2050, when many of today's 20- and 30-year old individuals will require long-term care, the cost of a one-year stay in a nursing home could be as high as \$400,000. Even when adjusted for inflation, the cost of a one-year stay in a nursing home could increase by approximately 40% by the year 2020 and more than double by the year 2050.

Because of the high cost of long-term care and the widespread lack of resources to pay for this care, many senior citizens who face extended time in nursing homes spend all of their assets and are forced to enter the state Medicaid program. Presently, 53% of seniors rely on Medicaid to pay for long-term care and Medicaid pays for 70% of long-term care costs in the Baltimore area. If this Medicaid reliance continues, more than 220,000 current residents of Baltimore City and Baltimore County could be forced to rely on Medicaid to pay for their long-term care.

I. METHODOLOGY

A. Estimates of Future Long-Term Care Needs

The population of Baltimore City and Baltimore County that will receive nursing home services was estimated using population data from the U.S. Census. The data contain 1997 populations for Baltimore City and Baltimore County by age and race.² These data were combined with life tables from the National Center for Health Statistics to estimate the number of current residents that will live to the ages of 65, 75, or 85.³

Published estimates provide the probability of using a nursing home based on age at death.⁴ For example, these estimates calculate that an individual who dies between the ages of 75 and 84 has a 30% chance of spending some time in a nursing home and has a 12% chance of spending at least five years in a nursing home after admission.

To estimate the number of individuals who will need long-term care in Baltimore, the report combined the population data for Baltimore City and Baltimore County with the probability estimates of using a nursing home. All data were corrected to account for significant differences by race in life span and use of long-term care.

Nursing home expenditures represent the vast majority of expenditures for long-term care. However, many individuals who are not in nursing homes receive home health care services. In 1993, there were 5.2 million elderly individuals who required home health care services, compared with 2.2 million individuals who required a nursing home stay.⁵ The estimates in this report that calculate the number of Baltimore residents who will need long-term care do not include residents who will need forms of long-term care other than nursing homes, such as home health care. For this reason, the estimates in this report represent conservative estimates of the total long-term care needs of the elderly population.

² Maryland Office of Planning, *Census Bureau Population Estimates for Maryland's Jurisdictions by Race and Age for 1997, from the U.S. Bureau of the Census, Population Estimates Branch* (Sept. 1998) (online at www.op.state.md.us).

³ National Center for Health Statistics, *National Vital Statistics Reports, United States Abridged Life Tables, 1996* (Dec. 1998).

⁴ Peter Kemper and Christopher Murtaugh, *Lifetime Use of Nursing Home Care*, *New England Journal of Medicine*, 324, 9: 595-601 (Feb. 1991).

⁵ *Sharing The Burden: Strategies for Public and Private Long-Term Care Insurance*, *supra* note 1, at 9.

B. Estimates of Future Long-Term Care Costs

Current costs of long-term care in Maryland were obtained from published surveys.⁶ Future costs of long-term care were based on these current statewide costs, adjusted upwards to account for inflation. The study assumed that the average cost of long-term care was the same for Baltimore City and County and the state of Maryland. This assumption is consistent with information provided by the University of Maryland-Baltimore County's Center for Health Program Development and Management.

In the most comprehensive existing model of future national long-term care expenditures, long-term care costs are expected to increase annually by 1.5% more than the Consumer Price Index (CPI).⁷ This estimate is based on the fact that the nursing home industry is labor intensive, and the costs of labor (wages and fringe benefits) are expected to increase at a higher rate than the CPI. This report assumed a 3% annual increase in the CPI and a 4.5% annual increase in nursing home costs.

C. Use of Medicaid By Long-Term Care Recipients

The majority of senior citizens rely on Medicaid to pay for nursing home costs. Nationally, surveys show that Medicaid is the primary source of payment for 55% of elderly nursing home residents.⁸ In Baltimore City and County, Medicaid pays 70% of all nursing home costs. Nationally, the Medicaid program pays for 53% of all nursing home residents.⁹ This analysis assumes that Medicaid pays for this same proportion of recipients in Maryland.

II. FINDINGS

A. Hundreds of Thousands of Baltimore Residents Will Require Long-Term Care

Based on the demographics of Baltimore City and County, this report estimates that 420,000 current residents are likely to require long-term care after reaching the age of 65. The

⁶ AARP, *Reforming the Health Care System: State Profiles 1998*, 84 (1998).

⁷ *Sharing the Burden: Strategies for Public and Private Long-Term Care Insurance*, *supra* note 1.

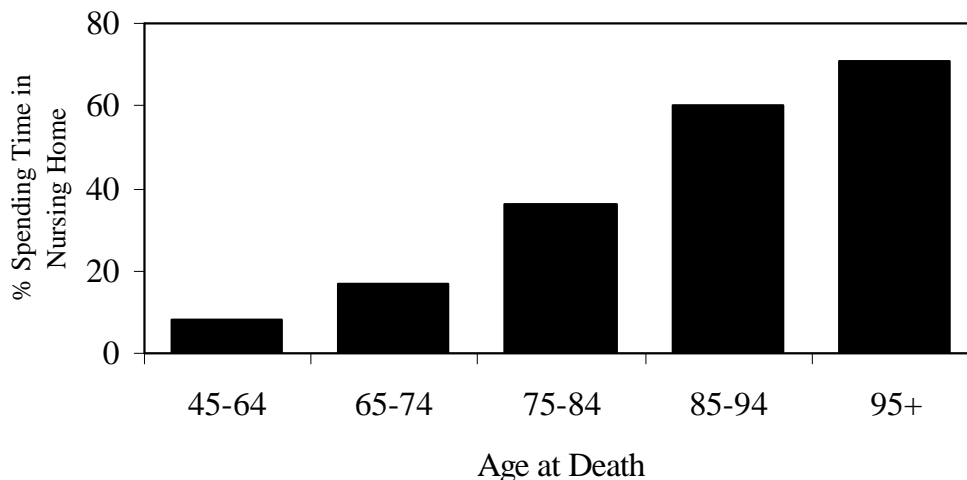
⁸ National Center for Health Statistics, *Characteristics of Elderly Nursing Home Residents: Data from the 1995 National Nursing Home Survey*, Advance Data Number 289 (July 2, 1997).

⁹ AARP Public Policy Institute, *Spending Down to Medicaid: New Data on the Role of Medicaid in Paying for Nursing Home Care*, 17 (June 1996).

current population of Baltimore City and County is 1,350,000. In percentage terms, the 420,000 residents who are likely to use long-term care represents 31% of the current population.

National surveys indicate that the risk of a nursing home stay increases dramatically with age (Figure 1). Approximately 255,000 current residents of Baltimore will die between the ages of 65 and 75. Based on historical nursing home use rates, 38,000 of these residents are likely to require a nursing home stay at some point in their lives. Similarly, approximately 398,000 individuals will die between the ages of 75 and 85, 129,000 of whom are likely to require a nursing home stay. Approximately 462,000 individuals will live beyond the age of 85, and 254,000 of these individuals are likely to require a nursing home stay.

Figure 1: Nursing Home Use Increases With Age.



Almost one-half of all individuals who enter nursing homes stay for less than three months. However, many individuals over the age of 65 face long and expensive stays. Approximately 30% of individuals who die between the ages of 65 and 75 stay in nursing homes for more than one year; 20% of individuals who die between the ages of 85 and 95 spend more than five years in a nursing home. Based on these use rates, approximately 200,000 current Baltimore residents (16%) are likely to spend more than one year in a nursing home, and approximately 70,000 (5%) are likely to spend more than five years.¹⁰

¹⁰ These estimates assume that there are no changes in the need for long-term care because of improvements in health among the aged. Some researchers have suggested that because of these improvements, there will be a reduction in the percentage of disabled

B. The Costs of Long-Term Care Will Increase

In 1995, the latest year for which data is available, the median cost for care at a nursing home in the state of Maryland was \$102.04 per day, or \$37,000 per year. For the last decade, the cost of nursing home care has risen at a pace that has exceeded the inflation rate, and most experts agree that this trend will continue. The most comprehensive existing model of future Medicaid costs estimated that costs would increase at a rate that was 1.5% higher than the overall annual increase in the consumer price index.

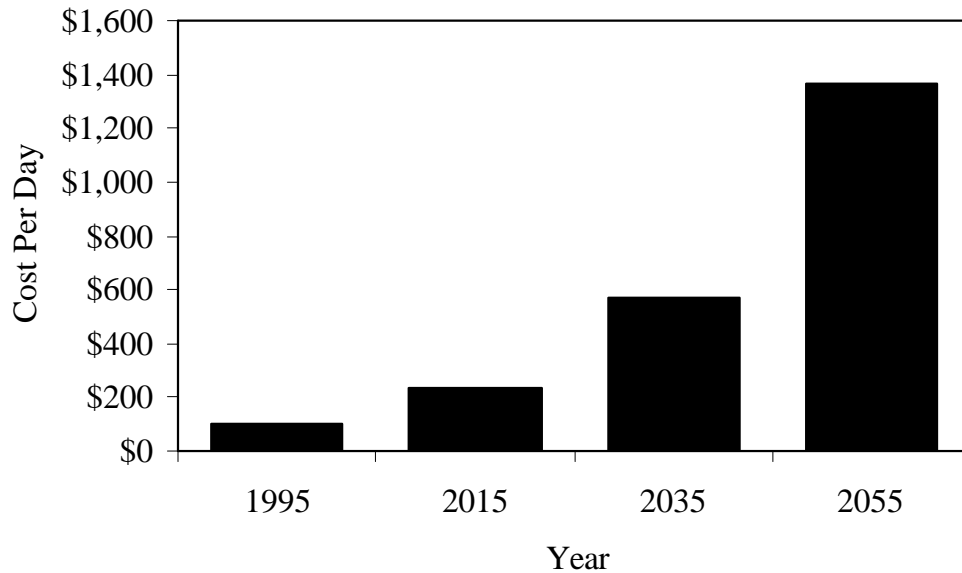
If costs continue to increase at this rate in Maryland, the cost of the average nursing home stay will increase dramatically by the year 2020 (Figure 2). There are 75,000 residents of Baltimore City and Baltimore County between the ages of 50 and 55. In the year 2029, when this group begins to turn 85, the average cost of a nursing home could be almost \$435 per day, or \$159,000 per year. Similarly, there are over 85,000 residents of the Baltimore area between the ages of 30 and 35. In the year 2049, when this age group begins to turn 85, the cost of a year in a nursing home could be more than \$380,000 per year.¹¹

Even when adjusted for general inflation, the cost of a year of nursing home care is expected to increase dramatically. Adjusted for inflation, a year in a nursing home could cost approximately \$62,000 in 2029, and could be more than double the current cost, \$85,000, in the year 2049.

individuals aged 65 and over. Under an assumption that disability rates decrease by 1.5% annually and nursing home use decreases by the same amount, approximately 273,000 residents of Baltimore City and County are likely to spend some time in a nursing home after reaching age 65. 134,000 of these individuals are likely to stay in a nursing home for more than one year, and 43,000 are likely to stay in a nursing home for five years.

¹¹ This estimate of future costs is sensitive to the assumption of the rate of increase in nursing home care costs. If costs increase by 2% more than the increase in the consumer price index, the estimated cost of a year in a nursing home in the year 2029 will be \$186,000. However, if costs increase by only 1% more than the increase in the consumer price index, the costs of one year in a nursing home in 2029 will be \$100,000.

Figure 2: The Costs of Nursing Home Care Are Expected to Increase



C. Hundreds of Thousands of Nursing Home Residents Will be Forced to Rely on Medicaid for Nursing Home Expenses

The majority of nursing home residents in Maryland cannot pay for their own long-term care, and do not have long-term care insurance. Nationwide, less than 4% of the population has long-term care insurance.¹² Many individuals assume that Medicare provides long-term care coverage, but in fact Medicare coverage is limited to only 100 days of skilled nursing home care immediately following hospitalization.

As a result of these factors, many seniors must rely on the Medicaid program to pay their long-term care expenses. Nursing home residents become eligible for the Maryland Medicaid program if they have total resources of less than \$2,500, and their income is not adequate to pay for their nursing home costs.

¹² American Council of Life Insurance, *Who Will Pay for the Baby Boomers' Long Term Care Needs?* (1999).

Nationally, Medicaid paid the expenses of 53% of nursing home residents.¹³ Medicaid paid for 67% of statewide nursing home expenditures in FY 1997, and a slightly higher amount, 70%, in Baltimore City and County.¹⁴

If the current proportion of nursing home residents who rely on Medicaid remains constant, an estimated 220,000 Baltimore residents will be forced onto the Medicaid program in order to pay for long term care. Individuals who face the longest stays – particularly the 200,000 who are likely to require nursing home stays of one year or more – are at particular risk of exhausting all available resources and requiring Medicaid to pay for nursing home care.

¹³ *Spending Down to Medicaid: New Data on the Role of Medicaid in Paying for Nursing Home Care*, *supra* note 9.

¹⁴ The Medicare program paid for 5% of all expenses.